grimbleby coleman
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it's the people behind the numbers.

Audits, Reviews, and Compilations

Audit:

Objective: To form and express an opinion on whether or not the financial statements are fairly stated and in accordance with the proper financial reporting framework (usually generally accepted accounting principles).

To obtain reasonable assurance in support of that opinion, the auditor inquires of management, gains an understanding of internal control, performs analytical procedures, tests documentation, confirms bank accounts, notes, or receivables with outside parties, requests legal representations from the business's attorneys, and requests representations from management. The auditor may also test count inventory, observe fixed assets, and petty cash.

The auditor can also help to draft financial statements and notes in accordance with generally accepted accounting principles.

In addition to the audit opinion, the auditor often provides a letter with recommendations for improvements in internal controls.

Review:

Objective: A review engagement is conducted to provide limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with the financial reporting framework. The accountant issues a report stating that but does not actually issue an opinion on the financial statements.

A review differs significantly from an audit. Review engagements provide less assurance to the reader of the financial statements because the CPA does not perform many audit procedures. The review procedures consist primarily of inquiries of management and analytical procedures applied to financial data and financial statement items. A review does not generally include gaining an understanding of internal control to the extent that the auditor would provide a letter with recommendations for improvement in internal controls.

The CPA can also help to draft financial statements and notes in accordance with generally accepted accounting principles.

Compilation:

Objective: To assist management in presenting financial information in the form of financial statements, the CPA does not undertake to provide any assurance that there are no material modifications that should be made to the financial statements so they will conform to the acceptable financial reporting framework or that the financial statements are accurate. The report on the compilation will not express an opinion or provide any assurance regarding the financial statements.

Because the accountant must gain a general understanding of the business, the CPA will communicate to the client anything that comes to his/her attention that is an obvious misstatement or violation of the financial reporting framework.

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